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SUMMARY

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THE ROLE OF SMALL AND MEDIUM INDUSTRY IN DEVELOPMENT

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THE ROLE OF SMALL AND MEDIUM INDUSTRY IN DEVELOPMENT

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1. Despite "economies of scale," manufacturing is not always more economical in large than in small establishments, and a country will achieve the most productive industrial structure by developing a well chosen combination of large and small manufacturing units. Development leaders in countries striving to accelerate the rate of industrial advancement will do well to give attention to the constructive possibilities in modernization and growth of small and medium industry. It is important, however, to stress selectivity in the choice of product lines and efficiency in production and business operations.

2. As a country moves through the transitional stages from a traditional toward a modern economy, the outlook is for household industry to be replaced (except for special functions) and for artisan industry to be transformed into modern service trades. The small but modern factory will rise in importance. Such factories, if well managed, have distinctly favorable prospects in the newly industrializing countries.

3. Some product lines and some situations offer opportunities for efficient small-scale manufacturing and others do not. Therefore, continuous research to provide up to date analysis of changing markets, production methods, costs, and other economic and technical factors is advisable in a program of small and medium industry development. It is also necessary to have some type of communication system, such as an industrial advisory service or industrial extension service, to carry to existing or potential entrepreneurs the information on which they can base sound investment decisions. Such a service should also encourage a progressive outlook among small entrepreneurs and keep feeding them improved ideas on the economic, technological, and management problems of their enterprises. These ideas should be based on the best modern techniques of production and management, suitably adapted to smaller-scale operations. Significant help could be given in the advancement of the newly developing economies by devoting more scientific and technological effort to the search for methods of increasing the efficiency of comparatively <u>small-scale</u> production units.

4. Among the practical measures which should be considered in designing a positive program to improve the efficiency and promote the growth of small and medium industry are: (1) industrial advisory or counseling services, (2) industrial training services, (3) industrial research services, (4) measures to improve small industry financing, (5) industrial estates, (6) marketing aids, (7) aid in procurement of materials and equipment, and (6) fostering interfirm assistance and industrial self-help.

5. A development program for small and medium industry should be reasonably comprehensive. Usually it does little good merely to set up an institution for making capital and credit more readily available without, for example, doing anything to improve techniques of production and management. Which factors are most strategic in the circumstances of a particular country should be determined in a preliminary survey. Valuable ideas can be had by studying the experience of other countries--for example, India, which has the best planned and most comprehensive small industry program among the less industrialized countries. However, it should be stressed that no system worked out in one country can be recommended in its entirety for another. Each country requires a set of measures tailormade in general approach and in detail to its own situation.

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